

**Village of Benzonia**

*Benzie County, Michigan*

*Audited Financial Statements*

*For the Year Ended February 29, 2004*

## AUDITING PROCEDURES REPORT

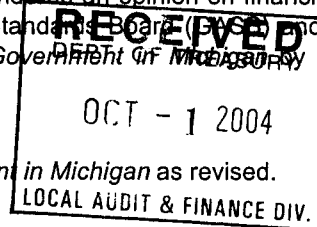
Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Benzonia	County Benzie
Audit Date 2/29/04	Opinion Date 6/25/04	Date Accountant Report Submitted to State: 9/24/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	XX		
Reports on individual federal financial assistance programs (program audits).	XX		
Single Audit Reports (ASLGU).			XX

Certified Public Accountant (Firm Name) JL Stephan Co, PC			
Street Address 862 E. Eighth St.	City Traverse City	State MI	ZIP 49686
Accountant Signature <i>John P. McCarver</i>			

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INTRODUCTORY SECTION

# Village of Benzonia

## Comments and Recommendations

We have audited the combined financial statements of the Village of Benzonia for the year ended February 29, 2004 and have issued our report thereon dated June 25, 2004. As part of our examination, we considered the Village's internal control structure. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

In a continuing effort to improve the accounting system, financial reporting, and overall management, we offer the following comments and recommendations for you to consider.

### General

Your Clerk and Treasurer maintained the records in good condition. Recorded revenues were deposited timely and intact, journals and ledgers were properly posted, Board minutes were maintained in good order and supporting documents and follow-up procedures appeared to be in good order.

### Cash Account Balances

Upon review and comparison of cash account balances between the Treasurer's books and those of the Clerk's, we noted a few small discrepancies. It appears they aren't reconciling the two sets books on a regular basis. We highly recommend the Clerk and Treasurer reconcile their cash balances for each account on a monthly basis and any discrepancies be resolved as soon as possible.

We also noted a check from the 1998 Water Construction Fund was outstanding at the end of the prior and current fiscal year ends. An indication was made in the past that circumstances associated with the check would be resolved. We highly recommend the issues be resolved as soon as possible.

### Property Tax

We noted the property tax receipts from the Tax Fund were not allocated the same as the disbursements. Although the discrepancies were small, any differences in the future should be resolved.

### Budget Amendments

Budget amendments are not needed for revenues. PA 621 requires expenditures in the government funds are amended when over expenditure occurs. Revenues need only be amended if needed to balance expenditure increases. Expenditure accounts should be amended before over-expenditure occurs.

We also noted no detail in the minutes for budget amendments. We recommend an entry in the context of the minutes detailing each budget amendment.

The budget amendments for the General Fund and Local Streets Fund were out of balance by \$9,640 and \$4,820 respectively. Greater care should be taken to ensure budget amendments are properly recorded and posted.

# Village of Benzonia

## Comments and Recommendations

### Computer System

We noted the Village's current computer system (Apollo software) is not fully Y2K compliant. As a result the Clerk had to enter various journal entries to enter detail and balance the funds. We noted new software was purchased a few years ago and the Village continues its hopes to install the software in the near future.

We continue to note the account numbers used on the computerized system do not conform to the State of Michigan uniform chart of accounts. The account numbers should be corrected to match the state uniform chart of accounts in order to comply with state statute.

The monthly revenue and expenditure listings do not currently show Village's budgeted amounts. We also noted the software system does not print a year-to-date general ledger.

We highly recommend all of the above comments be taken into consideration when installing and implementing the new accounting software as well as obtain sufficient training to operate the system as soon as possible.

### Investment Policy

We noted an investment policy was adopted by the Village but did not contain all information required by Public Act 196 of 1997. We provided the necessary information to the Treasurer to update your policy. A copy of the updated policy must be provided to all financial institutions used by the Village. If assistance is needed in updating your policy, please contact us.

### Paid Bills and Checks

We continue to note many paid bills and check copies were not kept together, specifically those for capital outlay. We strongly recommend all paid bills be kept in a central location, preferably attached to the corresponding check copy.

We also noted checks written from the Water Receiving Fund account that requires dual check signatures were written and cashed with only one signature. We strongly recommend ensuring all checks that require dual signatures have them.

### Water System Payable to General Fund

As noted last year, the Water System Fund made no payments to the General Fund for the amount due. We recommend the Village Council adopt a written plan to repay the \$38,500 over the next 2-3 years or pass a resolution to forgive some or the entire amount due. The Council may consider earmarking part of the antennae rental for loan repayments. This should be done as soon as possible.

### Bond Fund Surpluses

The 1981 Bond Fund has a cash balance of \$17,831 at year end. Cash needs through the end of summer tax collection are \$3,025. As recommended in prior years, the Village should decrease the millage rate to attempt to reduce the surplus over the next 2-3 years.

The 1975 Revenue Bond Ordinance calls for a balance of \$12,000 in the Bond Reserve Fund. The current balance is over \$23,000. The council may want to consider retiring \$8,000 of bonds early or transferring a portion to the replacement reserve.

# Village of Benzonia

## Comments and Recommendations

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The 1998 General Obligation Reserve Fund should be renamed or transferred to the 1998 General Obligation Bond Retirement Fund.

### General Fund Rental Expense

As noted in prior years, we recommend creating separate rental expense accounts in the General Fund for those expenses related only to the Motor Vehicle Fund similar to those in the Major and Local Streets Funds.

### Miscellaneous

Based on the interest rates of the current bond issues, the Village may wish to consider taking advantage of the current low interest rates and refinance the bond issues.

As noted last year, refuse fees collected by the Water Department exceeded amount transferred to the General Fund by \$979. This amount should be repaid as soon as conveniently possible.

We recommend tower rent in the Water System Fund be recorded in the rent revenue account and not combined with miscellaneous revenue.

\$500 in the Trust and Agency Fund for the Ball Park donation should be transferred to the General Fund as soon as possible.

\$559 in the Trust and Agency Fund for the Johnson Trust has remained unspent after many years. The Council should review the status and the money or transfer it to the General Fund this year.

The Village has numerous certificates of deposit in many of its funds. We recommend combining the CD's as they mature.

### GASB 34

The Village is required to adopt GASB 34 and adhere to its requirements for fiscal year ending February 28, 2005. We recommend the Village Council familiarize itself with the general requirements of the pronouncement and contact us with questions regarding conversion to this new pronouncement.

### Repeat Comments

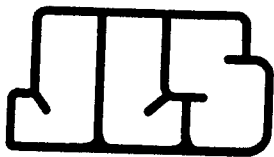
Many of the comments above are repeated from prior years. We recommend the Council have a special meeting to address these issues or appoint a committee to review and recommend corrective actions.

### Closing Comments

We will be happy to discuss any of these recommendations with you and assist you in their implementation. As a matter of course, we will forward the necessary copies of this audit report to the State Treasury Department. We further appreciate the courtesy extended our field auditors in the conduct of this audit engagement. Should any questions arise on these financial statements or the conduct of our audit, please call upon us.



FINANCIAL SECTION



**J L Stephan Co PC**  
Certified Public Accountants

Jerry L. Stephan, CPA  
John P. Morse, CPA

Marty Szasz, CPA  
David Skibowski, Jr., CPA

**Independent Auditor's Report**

To the Village Council  
Village of Benzonia  
Benzonia, MI 49616

We have audited the accompanying general purpose financial statements of the Village of Benzonia, Benzie County, Michigan, as of and for the year ended February 29, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Benzonia as of February 29, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 25, 2004, on our consideration of the Village of Benzonia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information presented in the supplemental data section is not a required part of the general purpose financial statements of the Village of Benzonia. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

*J L Stephan Co. PC*

June 25, 2004

**Village of Benzonia**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**As of February 29, 2004**

Exhibit A

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types		Account Groups		Total (Memo Only)
	General		Special Revenue	Enterprise	Internal Service	Trust & Agency	General	Fixed Assets	General	L.T. Debt	
Assets											
Cash-Unrestricted	\$ 43,287	\$ 178,753	\$ 40,968	\$ 135,018	\$ 2,569	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 400,595
Taxes Receivable	13,009	8,748	-	-	-	-	-	-	-	-	21,757
Accounts Receivable	-	-	8,274	-	-	-	-	-	-	-	8,274
Due from Other Funds	40,979	-	-	-	-	-	-	-	-	-	40,979
Property, Plant and Equipment (Net)	-	-	864,531	40,336	-	-	234,831	-	-	-	1,139,698
Amount to be Prvd for Debt Rtrmnt	-	-	-	-	-	-	-	-	6,926	-	6,926
Restricted Assets	-	-	95,904	-	-	-	-	-	-	-	95,904
Total Assets	\$ 97,275	\$ 187,501	\$ 1,009,677	\$ 175,354	\$ 2,569	\$ 234,831	\$ 6,926	\$ 6,926	\$ 6,926	\$ 6,926	\$ 1,714,133
Liabilities and Fund Equity											
Liabilities											
Due to Other Funds	\$ -	\$ -	\$ 39,479	\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,479
Due to Others	-	-	-	-	1,569	-	-	-	-	-	1,569
Bonds Payable	-	-	696,000	-	-	-	-	-	-	-	696,000
Retirement Contribution Payable	1,883	-	-	-	-	-	-	-	-	-	1,883
Deferred Revenue	13,009	8,748	-	-	-	-	-	-	-	-	21,757
Compensated Absences Payable	-	-	-	-	-	-	-	-	-	-	6,926
Total Liabilities	14,892	8,748	735,479	-	-	-	-	-	6,926	-	6,926
Fund Equity											
Contributed Equity	-	-	216,288	-	-	-	-	-	-	-	216,288
Investment in General Fixed Assets	-	-	-	-	-	-	234,831	-	-	-	234,831
Fund Balances - Unreserved	67,383	178,753	-	-	-	-	-	-	-	-	246,136
Fund Balances - Rsrv Prkg Lot Imp.	15,000	-	-	-	-	-	-	-	-	-	15,000
Retained Earnings - Unrestricted	-	-	(37,994)	175,354	-	-	-	-	-	-	137,360
Retained Earnings - Restricted	-	-	95,904	-	-	-	-	-	-	-	95,904
Total Fund Equity	82,383	178,753	274,198	175,354	-	-	234,831	-	-	-	945,519
Total Liabilities and Fund Equity	\$ 97,275	\$ 187,501	\$ 1,009,677	\$ 175,354	\$ 2,569	\$ 234,831	\$ 6,926	\$ 6,926	\$ 6,926	\$ 6,926	\$ 1,714,133

See Accompanying Notes to Financial Statements

**Village of Benzonia**  
*Combined Statment of Revenues, Expenditures  
and Changes in Fund Balance  
All Governmental Fund Types  
For the Year Ended February 29, 2004*

Exhibit B

	<i>General Fund</i>	<i>Special Revenue Funds</i>	<i>Total (Memo Only)</i>
<i>Revenues</i>			
Taxes	\$ 51,713	\$ 34,609	\$ 86,322
Licenses and Permits	2,428	-	2,428
State Shared Revenue	47,816	60,752	108,568
Charges for Services	27,135	-	27,135
Interest and Rentals	1,230	4,150	5,380
Other Revenue	1,548	161	1,709
<i>Total Revenues</i>	131,870	99,672	231,542
<i>Expenditures</i>			
General Government	89,591	-	89,591
Public Works	38,375	86,351	124,726
Recreation and Cultural	20,005	-	20,005
<i>Total Expenditures</i>	147,971	86,351	234,322
<i>Excess Revenues Over (Under) Expenditures</i>	(16,101)	13,321	(2,780)
<i>Other Financing Sources (Uses)</i>			
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
<i>Total Other Financing Sources(Uses)</i>	-	-	-
<i>Excess Revenues and Other Sources Over(Under) Expenditures &amp; Other Uses</i>	(16,101)	13,321	(2,780)
<i>Fund Balance - Beginning of Year</i>	98,484	165,432	263,916
<i>End of Year</i>	<u>\$ 82,383</u>	<u>\$ 178,753</u>	<u>\$ 261,136</u>

See Accompanying Notes to Financial Statements

# Village of Benzonia

Exhibit C

## Combined Statement of Revenues, Expenditures and Changes in Fund Balance Budget to Actual

### All Governmental Fund Types

For the Year Ended February 29, 2004

	General Fund			Special Revenue Funds		
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
<b>Revenues</b>						
Taxes	\$ 51,712	\$ 51,713	\$ 1	\$ 34,609	\$ 34,609	\$ -
Licenses and Permits	2,427	2,428	1	-	-	-
State Shared Revenue	47,816	47,816	-	60,751	60,752	1
Charges for Services	27,134	27,135	1	-	-	-
Interest and Rentals	1,230	1,230	-	4,149	4,150	1
Other Revenue	1,048	1,548	500	80	161	81
Total Revenues	131,367	131,870	503	99,589	99,672	83
<b>Expenditures</b>						
General Government						
Public Works	87,686	89,591	(1,905)	-	-	-
Recreation and Cultural	38,375	38,375	-	97,197	86,351	10,846
Total Expenditures	20,005	20,005	-	-	-	-
	146,066	147,971	(1,905)	97,197	86,351	10,846
Excess Revenues Over (Under) Expenditures	(14,699)	(16,101)	(1,402)	2,392	13,321	10,929
Other Financing Sources (Uses)						
Operating Transfers In	-	-	-	-	-	-
Operating Transfers (Out)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (14,699)	(16,101)	\$ (1,402)	\$ 2,392	13,321	\$ 10,929
Fund Balance - Beginning of Year		98,484			165,432	
Fund Balance - End of Year		\$ 82,383			\$ 178,753	

**Village of Benzonia**  
*Combined Statement of Revenues, Expenses  
and Changes in Retained Earnings  
All Proprietary Fund Types  
For the Year Ended February 29, 2004*

*Exhibit D*

	<i>Enterprise</i>	<i>Internal Service</i>	<i>Total (Memo Only)</i>
<i>Operating Revenues</i>			
Charges for Services	\$ 64,846	\$ 37,900	\$ 102,746
Miscellaneous	83	198	281
<i>Total Operating Revenues</i>	64,929	38,098	103,027
<i>Operating Expenses</i>			
Pump Station	15,546	-	15,546
Administration	11,651	-	11,651
Distribution	21,365	-	21,365
Customer Service	1,284	-	1,284
Water Tower	2,540	-	2,540
Equipment Operations	-	25,288	25,288
Construction Expenses	-	-	-
Depreciation	22,118	16,770	38,888
<i>Total Operating Expenses</i>	74,504	42,058	116,562
<i>Operating Income (Loss)</i>	(9,575)	(3,960)	(13,535)
<i>Non-Operating Revenues (Expenses)</i>			
Property Taxes	31,179	-	31,179
Tower Rent	12,180	-	12,180
Interest Earned	928	5,086	6,014
Gain on Sale of Assets	-	500	500
Interest Expense	(32,485)	-	(32,485)
	11,802	5,586	17,388
<i>Net Income (Loss)</i>	2,227	1,626	3,853
Retained Earnings - Beginning of Year	55,683	173,728	229,411
<i>Retained Earnings - End of Year</i>	<u>\$ 57,910</u>	<u>\$ 175,354</u>	<u>\$ 233,264</u>

See Accompanying Notes to Financial Statements

**Village of Benzonia**  
*Combined statement of Cash Flows*  
*All Proprietary Fund Types*  
*For the Year Ended February 29, 2004*

*Exhibit E*

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total (Memo Only)</u>
<b>Cash Flows from Operating Activities</b>			
Operating Income (Loss)	\$ (9,575)	\$ (3,960)	\$ (13,535)
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>			
Depreciation	22,118	16,770	38,888
Net Transfers	-	-	-
<i>(Increase) Decrease in Current Assets</i>			
Accounts Receivable	2,115	-	2,115
Inventory	-	-	-
<i>Increase (Decrease) in Current Liabilities</i>			
Due to General Fund	-	-	-
<b>Net Cash Flows From Operating Activities</b>	<u>14,658</u>	<u>12,810</u>	<u>27,468</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds of Sale of Fixed Assets	-	500	500
Acquisition of Capital Assets	-	-	-
Tower Rent Received	12,180	-	12,180
Payment of Bonds Payable	(14,000)	-	(14,000)
Payment of Bond Interest	(32,485)	-	(32,485)
Property Taxes	<u>27,952</u>	<u>-</u>	<u>27,952</u>
<b>Net Cash Flows From Capital and Related Financing Activities</b>	<u>(6,353)</u>	<u>500</u>	<u>(5,853)</u>
<b>Cash Flows from Investing Activities</b>			
Interest Income Received	<u>928</u>	<u>5,086</u>	<u>6,014</u>
<b>Net Cash Flows From Investing Activities</b>	<u>928</u>	<u>5,086</u>	<u>6,014</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>9,233</u>	<u>18,396</u>	<u>27,629</u>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>119,929</u>	<u>116,622</u>	<u>236,551</u>
<b>End of Year</b>	<u><u>\$ 129,162</u></u>	<u><u>\$ 135,018</u></u>	<u><u>\$ 264,180</u></u>

See Accompanying Notes to Financial Statements

**Village of Benzonia**  
*Notes to Financial Statements*  
February 29, 2004

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**Note 1 - Description of Operations and Fund Types**

The Village of Benzonia was incorporated in 1891 as a general law Village. It operates under an elected President-Council form of government. The Village population as of the 2000 census was 519 and the current state taxable value is \$12,328,180.

**Reporting Entity**

The criteria established by Statement 14 of the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements are based primarily on the concept of financial accountability. On this basis, accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Village.

*Benzonia Public Library* - The Benzonia Public Library is located in the Village and serves the general public. The Library Board members are not appointed by, controlled by, or financially accountable to the Village Council. Library operations and management functions are totally separate from the Village and the Library currently has a separate audit of its financial statements.

Based on these facts, the Village does not consider the Library part of its reporting entity. Accordingly the financial activity of the Benzonia Public Library has not been included in these financial statements.

**B. Basis of Presentation**

*Fund Accounting:* The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

*Governmental Funds*

*General Fund* - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, charges for services, and interest on investments.

*Special Revenue Funds* - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Special Revenue Funds maintained by the Village are the Major and Local Street Funds.

*Proprietary Funds*

*Enterprise Funds* - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The Water Fund is operated with the intention that the cost of providing water services to the public will be financed or recovered primarily through charges to users.

*Internal Service Fund* - Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments on a cost-reimbursement basis. The Village operates a Motor Vehicle Equipment Pool Fund.



**Village of Benzonia**  
*Notes to Financial Statements*  
February 29, 2004

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**Note 1 - Description of Operations and Fund Types - continued**

*Fiduciary Funds*

*Trust and Agency Funds* - Trust and Agency Funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The Tax Collection Fund and Trust and Agency Funds belong to this Fund Group.

*Account Groups*

*General Fixed Assets Account Group* - This Account Group presents the fixed assets of the local unit utilized in its general operations (Non-Proprietary fixed assets).

*General Long-Term Debt* - This Account Group Presents the long-term debt of the Village not accounted for in the Enterprise Funds.

**Note 2 - Summary of Significant Accounting Policies**

*Basis of Accounting*

All governmental funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized when received in cash except for those susceptible to accrual, which are recorded as receivables when measurable and as revenue when available to finance current operations. Significant revenues susceptible to accrual include property taxes, expenditure reimbursement type grants, certain intergovernmental revenues and operating transfers. Expenditures are recorded when the liability is incurred, except for interest on long-term debt that is recorded when paid.

All Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

Agency Funds recognize assets and liabilities on the modified accrual basis.

The Village reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

*Budgets*

The General fund and Special Revenue Fund types are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis and used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Village.

**Village of Benzonia**  
*Notes to Financial Statements*  
February 29, 2004

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**Note 2 - Summary of Significant Accounting Policies - continued**

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a function basis. The approved budgets of the Village for these budgetary funds were adopted at the activity level.

Encumbrance accounting is not used and appropriations normally lapse at year-end.

Accounts Receivable

Accounts Receivable are recorded in the Water Fund at the time customers are billed for current services. Uncollected delinquent accounts are placed on the customer's tax bill in the summer. The County purchases any amounts not collected by the Village.

Fixed Assets

Fixed Assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are excluded from general fixed assets as such items are immovable and of value only to the Village. No depreciation is recorded on general fixed assets.

Fixed Assets are recorded at estimated historical cost. Donated fixed assets are valued at the fair market value as of the date received. Village officials compiled an inventory during 1995. Costs were estimated for a large portion of the assets.

Depreciation Policy

Proprietary Funds: Depreciation is computed by the straight-line method. The Village records depreciation in its Water and Sewer Fund and Equipment Pool Fund. Estimated useful lives, in years, for depreciable assets are as follows:

Water System	20-50
Motor Vehicles & Equipment	5-10

In the Water and Sewer Fund, depreciation charged to expense and contributed capital was \$22,118 and \$7,373 respectively for the year ended February 29, 2004.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, The Village considers cash, bank deposits, certificates of deposit, and investments with an original or purchased maturity of 90 days or less to be cash equivalents.

Vacation and Sick Leave

The Village has a formal personnel policy including provisions for compensation of unused vacation and sick leave upon termination. The policy is as follows:

**Village of Benzonia**  
*Notes to Financial Statements*  
February 29, 2004

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**Note 2 - Summary of Significant Accounting Policies - continued**

Upon leaving Village employment, current full-time employees shall receive compensation for:

1. Unused vacation leave: Regular hourly rate multiplied by the number of days accrued, not to exceed fifteen (15) days.
2. Unused sick leave: One-half the regular hourly rate multiplied by the number of days accrued, not to exceed thirty six (36) days.

The accrued liability at February 29, 2004 was approximately \$6,926, which is recorded in the general long-term debt group of accounts.

**Property Tax**

The Village collects property taxes between July 1 and September 1. After this time, the taxes become delinquent and must be paid at the County Treasurer's office. The County pays the Village for uncollected taxes from the proceeds of revolving tax notes. Personal property taxes are the responsibility of the Village to collect. Delinquent real property taxes receivable are offset by deferred revenue for all Governmental Fund Types on the Village's balance sheet, as these amounts are not normally received within sixty days of year end, and are therefore not available to finance current operations.

**Total column on combined statements**

The total column on the financial statements is captioned (Memo Only) to indicate that it is presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter fund eliminations have not been made in the aggregation of this data.

**Note 3 - Material Violations of Legal & Contractual Provisions**

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the current year, the Village incurred the following expenditures in excess of the amounts appropriated.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund: Hall & Grounds	\$ 24,106	\$ 24,127	\$ (21)
General Fund: Other General Gov't	39,342	41,226	(1,884)

The Village has adopted an investment policy, however it does not contain all information required by Public Act 196 of 1997.

The 1998 General Obligation Bond ordinance does not allow for a reserve fund and should be renamed or transferred to the 1998 General Obligation Bond Retirement Fund.

Checks requiring dual signatures were tendered and negotiated with only one signature.

**Village of Benzonia**  
*Notes to Financial Statements*  
February 29, 2004

**Note 4 - Deposits with Financial Institutions**

Legal or Contractual Provisions for Deposits and Investments

The Michigan Political Subdivisions act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, and Public Act 196 of 1997 states the Village, by resolution, may authorize the Treasurer to invest surplus funds as follows:

1. In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2).
3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
4. In United States government or federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles that are legal for direct investment vehicles that are legal for direct investment by local units of government in Michigan.

Types of Deposits and Investments

The Village maintains all its surplus funds with local banks in the form of savings/checking accounts and certificates of deposit. Interpreting FDIC Reg. 330-8 regarding the \$100,000 insurance limit to apply separately to the demand and time deposits of a public unit, GASB statement 3 risk disclosures for the Village are as follows:

Types of Deposits and Investments:

<u>Deposit</u>	<u>Amount</u>
FDIC Insured	\$ 163,359
Uninsured	325,429
Total Deposits	<u>\$ 488,788</u>

**Note 5 - Summary of Fixed Assets**

General Fixed Asset Account Group

Fixed assets in the General Fixed Asset Group of Accounts as of February 29, 2004, are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 96,350	\$ -	\$ -	\$ 96,350
Buildings	59,918	-	-	59,918
Equipment	26,326	-	-	26,326
Tennis Courts & Park Imp.	<u>40,370</u>	<u>11,867</u>	<u>-</u>	<u>52,237</u>
	<u>\$222,964</u>	<u>\$ 11,867</u>	<u>\$ -</u>	<u>\$234,831</u>

**Village of Benzonia**  
*Notes to Financial Statements*  
February 29, 2004

**Note 5 - Summary of Fixed Assets – continued**

**Water Supply System**

Fixed Assets in the Water Supply System as of February 29, 2004, are summarized as follows:

	<u><b>Beginning Balance</b></u>	<u><b>Additions</b></u>	<u><b>Deletions</b></u>	<u><b>Ending Balance</b></u>
1965 Bond Construction	\$ 22,525	\$ -	\$ -	\$ 22,525
1975 Water Main Improvements	138,353	-	-	138,353
1981 Water Tower Construction	226,188	-	-	226,188
1998 Water Main Improvements	643,516	-	-	643,516
1999 Water Main Improvements	107,946	-	-	107,946
2000 Water Main Improvements	9,000	-	-	9,000
Other Additions	55,473	-	-	55,473
Total Cost	1,203,001	-	-	1,203,001
Less Accumulated Depreciation	308,979	29,491	-	338,470
Net Book Value	<u>\$ 894,022</u>	<u>\$ 29,491</u>	<u>\$ -</u>	<u>\$ 864,531</u>

**Motor Vehicle Equipment Pool**

Fixed Assets in the Motor Equipment Pool as of February 29, 2004, are summarized as follows:

	<u><b>Beginning Balance</b></u>	<u><b>Additions</b></u>	<u><b>Deletions</b></u>	<u><b>Ending Balance</b></u>
Vehicles & Equipment	\$ 297,886	\$ -	\$ 1,380	\$ 296,506
Less Accumulated Depreciation	240,779	16,770	1,380	256,169
Net Book Value	<u>\$ 57,107</u>	<u>\$ 16,770</u>	<u>\$ -</u>	<u>\$ 40,337</u>

**Note 6 - Long-Term Debt**

The following is a summary of transactions that occurred in bonds payable during the year ended February 29, 2004:

	<u><b>Water Supply System</b></u>				
	<u><b>1975 Bonds</b></u>	<u><b>1981 Bonds</b></u>	<u><b>1998 Rev Bonds</b></u>	<u><b>1998 GO Bonds</b></u>	<u><b>Total</b></u>
Beginning Balance	\$ 44,000	\$ 90,000	\$ 221,000	\$ 355,000	\$ 710,000
New Borrowing	-	-	-	-	-
Principal Paid	3,000	5,000	2,000	4,000	14,000
Ending Balance	<u>\$ 41,000</u>	<u>\$ 85,000</u>	<u>\$ 219,000</u>	<u>\$ 351,000</u>	<u>\$ 696,000</u>

**Village of Benzonia**  
*Notes to Financial Statements*  
February 29, 2004

**Note 6 - Long-Term Debt - continued**

Amount required to amortize long-term debt at February 29, 2004:

	<b>1975 Bonds</b>	<b>1981 Bonds</b>	<b>1998 Rev Bonds</b>	<b>1998 GO Bonds</b>	<b>Total</b>
2005	\$ 5,056	\$ 9,262	\$ 12,788	\$ 19,706	\$ 46,812
2006	4,900	9,000	12,653	20,503	47,056
2007	4,750	8,750	12,518	19,300	45,318
2008	5,600	9,500	12,383	20,098	47,581
2009	5,404	9,209	12,248	19,873	46,734
2010-14	24,002	45,355	61,967	99,632	230,956
2015-19	4,200	26,400	61,467	100,249	192,316
2020-24	-	-	61,886	100,001	161,887
2025-29	-	-	61,845	98,526	160,371
2030-34	-	-	62,004	98,397	160,401
2035-39	-	-	63,911	100,667	164,578
	53,912	117,476	435,670	696,952	1,304,010
Less: Interest	<u>12,912</u>	<u>32,476</u>	<u>216,670</u>	<u>345,952</u>	<u>608,010</u>
	<u>\$ 41,000</u>	<u>\$ 85,000</u>	<u>\$ 219,000</u>	<u>\$ 351,000</u>	<u>\$ 696,000</u>

**1975 Water Supply Revenue Bonds**

Interest on the bonds is payable at the annual rate of 5% payable January 1 and July 1 of each year, with principal amount due on January 1 of each year as follows:

2005-2007	\$ 3,000
2008-2015	4,000

**1981 General Obligation Water Supply System Bonds**

Interest is due April 1 and October 1 of each year at the rate of 5% with principal amounts due on October 1 of each year as follows:

2004-2006	\$ 5,000
2007-2010	6,000
2011-2012	7,000
2013-2016	8,000

The Village Council called \$36,000 of outstanding 1981 bonds for redemption April 1, 1999.

**Village of Benzonia**  
*Notes to Financial Statements*  
February 29, 2004

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**Note 6 - Long-Term Debt – continued**

1998 Water Supply Revenue Bonds

Interest on the bonds is payable at the annual rate of 4.5% payable May 1 and November 1 of each year, with principal amount due on May 1 of each year as follows:

2004-2009	\$ 3,000
2010	4,000
2011	3,000
2012-2015	4,000
2016	5,000
2017	4,000
2018-2020	5,000
2021-2024	6,000
2025-2027	7,000
2028-2030	8,000
2031-2032	9,000
2033-2035	10,000
2036-2037	11,000
2038	15,000

1998 General Obligation Water Supply System Bonds

Interest is due May 1 and November 1 of each year at the rate of 4.5% with principal amounts due on May 1 of each year as follows:

2004	\$ 4,000
2005	5,000
2006	4,000
2007-2009	5,000
2010-2013	6,000
2014-2016	7,000
2017-2019	8,000
2020-2021	9,000
2022-2024	10,000
2025-2026	11,000
2027-2028	12,000
2029-2030	13,000
2031	14,000
2032-2033	15,000
2034	16,000
2035-2036	17,000
2037	19,000
2038	21,000

**Note 7 – Retirement Plan**

The Village has adopted a SIMPLE IRA plan. It elected to contribute a matching contribution to each eligible employee up to 3% of the employee's wages. The Village accrued a contribution of \$1,883 for the current year which they expect to pay in September 2004.

**Village of Benzonia**  
*Notes to Financial Statements*  
February 29, 2004

**Note 8 - Segment Information - Proprietary Funds**

	<b>Enterprise Water Fund</b>	<b>Internal Service Motor Vehicle Fund</b>
Operating Revenue	\$ 64,929	\$ 38,098
Depreciation	22,118	16,770
Operating Income (Loss)	(9,575)	(3,960)
Operating Transfers - In	-	-
- Out	-	-
Tax Revenues	31,179	-
Net Income (Loss)	2,227	1,626
Current Capital Contributed	-	-
Plant, Property and Equipment	-	-
- Additions	-	-
- Deletions	-	500
Net Working Capital	105,667	135,018
Total Assets	1,009,677	175,354
Bonds and Long-Term Liabilities	696,000	-
Payable from Operating Revenue -Current	5,000	-
-Long-Term	255,000	-
Payable from Other Sources	436,000	-
Total Equity	274,198	175,354

**Note 9 - Restricted Retained Earnings**

Restricted Retained Earnings represents monies set aside in the Water Fund for specific purposes summarized as follows:

Bond and Interest Redemption/Retirement	\$ 27,447
Bond Reserve	49,553
Replacement Funds	17,984
Construction	<u>920</u>
	<u>\$ 95,904</u>

**Note 10 - Leasing Arrangements**

The Village leases the village parkland from the First Congregational Church of Benzonia. The terms of the lease, which was signed on March 17, 1996, indicate a lease period of 20 years for recreational purposes only in exchange for rent of one dollar.

In February 2001, the Village entered in to a five-year lease agreement with iPCS Wireless, Inc. of Delaware. iPCS will lease space on the Village's water tower for a wireless, communication antennae. The lease calls for advance monthly payments of \$1,000 commencing March 1, 2001.



**Village of Benzonia**  
*Notes to Financial Statements*  
February 29, 2004

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**Note 11 - Risk Management**

The Village pays an annual premium to Michigan Municipal Underwriters for its general insurance coverage through the Michigan Township Participating Plan. The Village carries coverage for property damage, liability, automobile, crime, and inland marine claims. Also, the Village carries worker's compensation insurance with Michigan Municipal Worker's Compensation Fund and health insurance with Blue Cross/Blue Shield of Michigan. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 12 - Contingencies**

There is a dispute between the Village and a construction contractor over payment for services provided. The Village contends it has paid in full for services provided and the contractor continues to invoice the Village for unpaid services and finance charges. The Village plans to negotiate with the contractor to resolve the conflict. The Village has not established a contingent liability because they believe the likelihood of a material unfavorable outcome is not likely.

The Village was in litigation with a resident who requested the Village to improve and build a roadway. The Village paid \$2,500 in settlement of the litigation.

SUPPLEMENTAL DATA SECTION

**Village of Benzonia**  
*General Fund*  
*Statement of Revenues, Expenditures*  
*and Changes in Fund Balance*  
*For the Year Ended February 29, 2004*

Schedule 1

	<i>Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
<i>Revenues</i>			
Property Taxes-Current	\$ 41,780	\$ 41,780	\$ -
Property Taxes-Delinquent	8,459	8,460	1
Tax Collection Fees	1,239	1,239	-
Trailer Park Tax	234	234	-
Liquor License Fees	1,587	1,588	1
Building Permit Fees	840	840	-
State Shared Revenue	47,816	47,816	-
Refuse Collection Fees	26,985	26,986	1
Sales	149	149	-
Interest Earned	1,230	1,230	-
Refunds	1,048	1,048	-
Donations	-	500	500
Miscellaneous Revenue	-	-	-
	<u>131,367</u>	<u>131,870</u>	<u>503</u>
<i>Expenditures</i>			
General Government			
Legislative			
Salaries		10,380	
Special Meetings		630	
Fringe Benefits		842	
	<u>11,852</u>	<u>11,852</u>	<u>-</u>
Elections			
Casual Labor		-	
Operating Supplies		-	
Printing & Publishing		-	
Miscellaneous		-	
	<u>-</u>	<u>-</u>	<u>-</u>
Clerk			
Salaries		5,952	
Special Meetings		70	
Fringe Benefits		473	
Office Supplies		339	
Dues		-	
Insurance & Bonds		-	
	<u>6,834</u>	<u>6,834</u>	<u>-</u>

See Accompanying Notes to Financial Statements

**Village of Benzonia**  
*General Fund*  
*Statement of Revenues, Expenditures*  
*and Changes in Fund Balance*  
*For the Year Ended February 29, 2004*

Schedule 1

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Treasurer			
Salaries		4,720	
Special Meetings		-	
Fringe Benefits		341	
Office Supplies		456	
Professional Services		-	
Dues		35	
Insurance		-	
Miscellaneous		-	
	<u>5,552</u>	<u>5,552</u>	<u>-</u>
Village Hall & Grounds			
Salaries		10,994	
Fringe Benefits		1,090	
Office Supplies		155	
Operating Supplies		592	
Professional Services		48	
Printing & Publishing		-	
Insurance		152	
Utilities		6,758	
Repairs & Maintenance		-	
Rentals		4,268	
Miscellaneous		70	
Capital Outlay		-	
	<u>24,106</u>	<u>24,127</u>	<u>(21)</u>
Other General Government			
Salaries		1,188	
Fringe Benefits		787	
Personal		707	
Holiday		2,005	
Sick Pay		175	
Vacation		3,535	
Office Supplies		4	
Building Permit Fees		1,200	
Professional Services		2,241	
Audit Fee		1,195	
Dues		746	
Travel & Freight		-	
Community Promotion		587	
Printing		1,425	

See Accompanying Notes to Financial Statements

**Village of Benzonia**  
*General Fund*  
*Statement of Revenues, Expenditures*  
*and Changes in Fund Balance*  
*For the Year Ended February 29, 2004*

Schedule 1

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Other General Government - continued			
Insurance		2,964	
Employee Health Insurance		20,230	
Rentals		96	
Miscellaneous		258	
Retirement Plan		1,883	
Capital Outlay		-	
	<u>39,342</u>	<u>41,226</u>	<u>(1,884)</u>
<i>Total General Government</i>	87,686	89,591	(1,905)
Public Works			
Street Lights			
Utilities	<u>5,532</u>	<u>5,532</u>	<u>-</u>
	5,532	5,532	-
Sanitation			
Salaries		1,146	
Fringe Benefits		632	
Printing		107	
Insurance		-	
Rentals		1,054	
Landfill		29,904	
Miscellaneous		-	
	<u>32,843</u>	<u>32,843</u>	<u>-</u>
<i>Total Public Works</i>	38,375	38,375	-
Parks & Recreation			
Salaries		2,174	
Fringe Benefits		187	
Operating Supplies		231	
Professional Services		500	
Insurance		-	
Utilities		625	
Repairs & Maintenance		-	
Rentals		2,916	

See Accompanying Notes to Financial Statements

**Village of Benzonia**  
*General Fund*  
*Statement of Revenues, Expenditures*  
*and Changes in Fund Balance*  
*For the Year Ended February 29, 2004*

Schedule 1

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Parks & Recreation - continued			
Miscellaneous		1,505	
Capital Outlay		11,867	
<i>Total Recreation &amp; Culture</i>	<u>20,005</u>	<u>20,005</u>	<u>-</u>
<i>Total Expenditures</i>	<u>146,066</u>	<u>147,971</u>	<u>(1,905)</u>
<i>Excess Revenues (Expenditures)</i>	(14,699)	(16,101)	(1,402)
<i>Other Financing Sources (Uses)</i>			
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
	-	-	-
<i>Excess Revenues (Expenditures)</i> <i>and Other Sources (Uses)</i>	<u>\$ (14,699)</u>	(16,101)	<u>\$ (1,402)</u>
Fund Balance - Beginning of Year		<u>98,484</u>	
<i>Fund Balance - End of Year</i>		<u>\$ 82,383</u>	

See Accompanying Notes to Financial Statements

**Village of Benzonia**

Schedule 2

*Special Revenue Funds  
Combining Balance Sheet  
As of February 29, 2004*

	<i>Major Streets</i>	<i>Local Streets</i>	<i>Total</i>
Assets			
Cash	\$ 69,806	\$ 108,947	\$ 178,753
Taxes Receivable	-	8,748	8,748
	<u>\$ 69,806</u>	<u>\$ 117,695</u>	<u>\$ 187,501</u>
Liabilities and Fund Equity			
Deferred Revenue	\$ -	\$ 8,748	\$ 8,748
Fund Balance	<u>69,806</u>	<u>108,947</u>	<u>178,753</u>
	<u>\$ 69,806</u>	<u>\$ 117,695</u>	<u>\$ 187,501</u>

*See Accompanying Notes to Financial Statements*

**Village of Benzonia**  
*All Special Revenue Funds*  
*Combining Statement of Revenues, Expenditures*  
*and changes in Fund Balance*  
*For the Year Ended February 29, 2004*

Schedule 3

	<i>Major Streets</i>	<i>Local Streets</i>	<i>Total</i>
<i>Revenues</i>			
Property Taxes	\$ -	\$ 34,609	\$ 34,609
State Shared Revenue	36,630	24,122	60,752
Interest	1,610	2,540	4,150
Miscellaneous Income	80	81	161
	<u>38,320</u>	<u>61,352</u>	<u>99,672</u>
<i>Expenditures</i>			
Construction	-	-	-
Routine Maintenance	18,570	21,128	39,698
Traffic Services	408	223	631
Winter Maintenance	20,514	20,539	41,053
Administration	1,255	3,714	4,969
	<u>40,747</u>	<u>45,604</u>	<u>86,351</u>
Total Expenditures			
	(2,427)	15,748	13,321
Excess Revenues (Expenditures)			
	(2,427)	15,748	13,321
Other Financing Sources (Uses)			
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Excess Revenues (Expenditures) and Other Sources (Uses)			
	(2,427)	15,748	13,321
Fund Balance - Beginning of Year	72,233	93,199	165,432
Fund Balance - End of Year	<u>\$ 69,806</u>	<u>\$ 108,947</u>	<u>\$ 178,753</u>

See Accompanying Notes to Financial Statements



**Village of Benzonia**  
*Major Streets Fund*  
*Statement of Revenues, Expenditures*  
*and Changes in Fund Balance*  
*For the Year Ended February 29, 2004*

Schedule 4

	<i>Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
<i>Revenues</i>			
State Shared Revenue	\$ 36,629	\$ 36,630	\$ 1
Interest Income	1,610	1,610	-
Refunds	80	80	-
Total Revenues	38,319	38,320	1
<i>Expenditures</i>			
Routine Maintenance			
Salaries & Wages		3,718	
Fringe Benefits		284	
Operating Supplies		653	
Professional Services		8,496	
Equipment Rentals		4,537	
Miscellaneous		882	
	18,570	18,570	-
Traffic Control			
Salaries & Wages		36	
Fringe Benefits		3	
Traffic Control Supplies		-	
Professional Services		369	
Equipment Rentals		-	
	408	408	-
Winter Maintenance			
Salaries & Wages		3,440	
Fringe Benefits		264	
Snow Removal Supplies		6,631	
Professional Services		-	
Equipment Rentals		10,179	
	20,514	20,514	-
Administration			
Salaries & Wages		62	
Fringe Benefits		273	
Office Supplies		-	

**Village of Benzonia**  
*Major Streets Fund*  
**Statement of Revenues, Expenditures**  
*and Changes in Fund Balance*  
**For the Year Ended February 29, 2004**

Schedule 4

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Administration - continued			
Audit		430	
Insurance		490	
	<u>1,255</u>	<u>1,255</u>	<u>-</u>
Total Expenditures	<u>40,747</u>	<u>40,747</u>	<u>-</u>
Excess Revenues (Expenditures)	(2,428)	(2,427)	1
Other Financing Sources (Uses)			
Operating Transfer In	-	-	-
Operating Transfer (Out)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Excess Revenue & Other Sources Over (Under) Expenditures & Other Uses	<u>\$ (2,428)</u>	(2,427)	<u>\$ 1</u>
Fund Balance - Beginning of Year		<u>72,233</u>	
Fund Balance - End of Year		<u>\$ 69,806</u>	

**Village of Benzonia**  
*Local Streets Fund*  
**Statement of Revenues, Expenditures**  
*and Changes in Fund Balance*  
**For the Year Ended February 29, 2004**

Schedule 5

	<i>Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
<i>Revenues</i>			
Property Taxes-Current	\$ 28,915	\$ 28,915	\$ -
Property Taxes-Delinquent	5,694	5,694	-
State Shared Revenue	24,122	24,122	-
Interest Income	2,539	2,540	1
Refunds	-	81	81
	<hr/>	<hr/>	<hr/>
<i>Total Revenues</i>	61,270	61,352	82
<i>Expenditures</i>			
Construction	-	-	-
Routine Maintenance			
Salaries & Wages		2,105	
Fringe Benefits		255	
Operating Supplies		725	
Professional Services		14,213	
Contract Services		-	
Equipment Rentals		3,830	
	<hr/>	<hr/>	<hr/>
	31,974	21,128	10,846
Traffic Services			
Salaries & Wages		75	
Fringe Benefits		6	
Operating Supplies		118	
Equipment Rentals		24	
	<hr/>	<hr/>	<hr/>
	223	223	-
Winter Maintenance			
Salaries & Wages		3,524	
Fringe Benefits		272	
Operating Supplies		6,631	
Equipment Rentals		10,112	
Miscellaneous		-	
	<hr/>	<hr/>	<hr/>
	20,539	20,539	-
Administration			
Salaries & Wages		25	
Fringe Benefits		269	
Office Supplies		-	
Professional Services		-	
	<hr/>	<hr/>	<hr/>

See Accompanying Notes to Financial Statements

**Village of Benzonia**  
*Local Streets Fund*  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**For the Year Ended February 29, 2004**

Schedule 5

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Administration - continued			
Audit		430	
Insurance		490	
Equipment Rentals		-	
Miscellaneous		2,500	
	<u>3,714</u>	<u>3,714</u>	<u>-</u>
<i>Total Expenditures</i>	<u>56,450</u>	<u>45,604</u>	<u>10,846</u>
<i>Excess Revenues (Expenditures)</i>	4,820	15,748	10,928
<i>Other Financing Sources (Uses)</i>			
Operating Transfer In	-	-	-
Operating Transfer (Out)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess Revenue &amp; Other Sources Over     (Under) Expenditures &amp; Other Uses</i>	<u>\$ 4,820</u>	15,748	<u>\$ 10,928</u>
<i>Fund Balance - Beginning of Year</i>		<u>93,199</u>	
<i>Fund Balance - End of Year</i>		<u>\$ 108,947</u>	

**Village of Benzonia**  
*Motor Vehicle Equipment Pool Fund*  
*Comparative Balance Sheets*  
*As of February 29, 2004 and 2003*

Schedule 6

	<u>2004</u>	<u>2003</u>
<i>Assets</i>		
<i>Current Assets</i>		
Cash	\$ 35,018	\$ 16,622
Certificate of Deposit	<u>100,000</u>	<u>100,000</u>
	135,018	116,622
<i>Fixed Assets</i>		
Property, Plant & Equipment	297,385	297,885
Less: Accumulated Depreciation	<u>(257,049)</u>	<u>(240,779)</u>
	<u>40,336</u>	<u>57,106</u>
<i>Total Assets</i>	<u><u>\$ 175,354</u></u>	<u><u>\$ 173,728</u></u>
<i>Liabilities &amp; Fund Equity</i>		
<i>Fund Equity</i>		
Retained Earnings-Unrestricted	<u>\$ 175,354</u>	<u>\$ 173,728</u>
<i>Total Fund Equity</i>	<u>175,354</u>	<u>173,728</u>
<i>Total Liabilities &amp; Fund Equity</i>	<u><u>\$ 175,354</u></u>	<u><u>\$ 173,728</u></u>

**Village of Benzonia**  
*Motor Vehicle Equipment Pool Fund*  
**Comparative Statement of Revenues, Expenses**  
**and Changes in Retained Earnings**  
**For the Years Ended February 29, 2004 and 2003**

Schedule 7

	<u>2004</u>	<u>2003</u>
<i>Operating Revenues</i>		
Rentals - General Fund	\$ 4,860	\$ 8,771
- Major Street Fund	14,716	11,801
- Local Street Fund	13,967	9,147
- Water Supply Fund	4,357	5,211
Refunds	<u>198</u>	<u>8,426</u>
<i>Operating Expenses</i>	38,098	43,356
Salaries & Wages	4,291	4,959
Fringe Benefits	447	511
Office Supplies	-	61
Supplies - Operating	3,995	1,757
- Gas, Oil, and Fuel	5,526	4,100
- Repairs	-	-
Professional Services	843	358
Audit	550	565
Insurance	4,272	3,220
Repairs and Maintenance	5,364	16,042
Miscellaneous	-	24
Depreciation	<u>16,770</u>	<u>19,594</u>
<i>Total Operating Expenses</i>	<u>42,058</u>	<u>51,191</u>
<i>Operating Income (Loss)</i>	(3,960)	(7,835)
<i>Non-Operating Revenues (Expenses)</i>		
Interest Earned	5,086	4,721
Gain on Sale of Assets	<u>500</u>	<u>-</u>
<i>Total Non Operating Revenues (Expenses)</i>	<u>5,586</u>	<u>4,721</u>
<i>Net Income (Loss)</i>	1,626	(3,114)
Retained Earnings - Beginning of Year	<u>173,728</u>	<u>176,842</u>
<i>Retained Earnings - End of Year</i>	<u><u>\$ 175,354</u></u>	<u><u>\$ 173,728</u></u>

**Village of Benzonia**  
*Water Supply System*  
**Comparative Balance Sheets**  
*As of February 29, 2004 and 2003*

Schedule 8

	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 40,968	\$ 37,595
Accounts Receivable	8,274	10,389
Inventory	-	-
	<u>49,242</u>	<u>47,984</u>
<b>Restricted Assets</b>		
Property Taxes Receivable	7,710	4,483
Cash-Redemption/Retirement Funds	19,737	19,813
Cash-Bond Reserves	49,553	47,695
Cash-Bond Replacement	17,984	13,907
Cash-Construction	920	919
	<u>95,904</u>	<u>86,817</u>
<b>Fixed Assets</b>		
Property, Plant & Equipment	1,203,001	1,203,001
Less: Accumulated Depreciation	<u>(338,470)</u>	<u>(308,979)</u>
	<u>864,531</u>	<u>894,022</u>
<b>Total Assets</b>	<u><u>\$ 1,009,677</u></u>	<u><u>\$ 1,028,823</u></u>
<b>Liabilities &amp; Fund Equity</b>		
<b>Liabilities</b>		
Bonds Payable	\$ 696,000	\$ 710,000
Due to General Fund	<u>39,479</u>	<u>39,479</u>
<b>Total Liabilities</b>	735,479	749,479
<b>Fund Equity</b>		
Retained Earnings-Unrestricted	(37,994)	(31,134)
Retained Earnings-Restricted	95,904	86,817
Contributed Capital	<u>216,288</u>	<u>223,661</u>
<b>Total Fund Equity</b>	<u>274,198</u>	<u>279,344</u>
<b>Total Liabilities &amp; Fund Balance</b>	<u><u>\$ 1,009,677</u></u>	<u><u>\$ 1,028,823</u></u>

**Village of Benzonia**  
*Water Supply System*  
**Comparative Statement of Revenues, Expenses**  
**and Changes in Retained Earnings**  
**For the Years Ended February 29, 2004 and 2003**

Schedule 9

	2004	2003
<i>Operating Revenues</i>		
Water Sales	\$ 61,970	\$ 64,665
Installation	2,250	2,365
Penalties	356	-
On-Off Charges	270	403
Refunds	83	101
Miscellaneous	-	-
	<u>64,929</u>	<u>67,534</u>
<i>Operating Expenses</i>		
Pump Station		
Salaries and Wages	6,882	6,309
Fringe Benefits	527	501
Operating Supplies	467	-
Professional Services	-	167
Contract Services	-	-
Utilities	4,715	4,939
Rentals	2,955	3,336
Repairs	-	-
	<u>15,546</u>	<u>15,252</u>
Administration		
Salaries and Wages	2,679	2,900
Fringe Benefits	850	444
Office Supplies	438	595
Operating Supplies	-	-
Professional Services	3,803	1,061
Audit	1,695	1,585
Membership Dues	802	252
Travel/Freight	-	-
Printing	81	141
Insurance	991	1,254
Rentals	130	201
Miscellaneous	2	-
Education and Training	180	140
	<u>11,651</u>	<u>8,573</u>
Distribution		
Salaries and Wages	6,198	4,423
Fringe Benefits	474	339
Operating Supplies	7,886	4,478
Professional Services	6,470	2,885



**Village of Benzonia**  
*Water Supply System*  
**Comparative Statement of Revenues, Expenses**  
**and Changes in Retained Earnings**  
**For the Years Ended February 29, 2004 and 2003**

Schedule 9

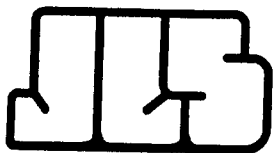
	<u>2004</u>	<u>2003</u>
Distribution - continued		
Contract Services	-	-
Rentals	337	625
Miscellaneous	-	-
	<u>21,365</u>	<u>12,750</u>
Customer Service		
Salaries and Wages	887	1,341
Fringe Benefits	68	103
Operating Supplies	-	-
Rentals	329	497
Professional Services	-	-
Miscellaneous	-	-
	<u>1,284</u>	<u>1,941</u>
Water Tower		
Salaries and Wages	932	970
Fringe Benefits	71	74
Operating Supplies	-	-
Professional Services	-	-
Utilities	931	916
Rentals	606	551
	<u>2,540</u>	<u>2,511</u>
Construction Expenses		
Depreciation	-	-
	<u>22,118</u>	<u>22,145</u>
<i>Total Operating Expenses</i>	<u>74,504</u>	<u>63,172</u>
<i>Operating Income (Loss)</i>	(9,575)	4,362
<i>Non Operating Revenues (Expenses)</i>		
Property Taxes - Current	23,784	24,453
Property Taxes - Delinquent	7,395	4,803
Tower Rent	12,180	10,001
Interest Earned	928	1,388
Bond Interest Expense	(32,485)	(33,128)
	<u>11,802</u>	<u>7,517</u>
<i>Total Non Operating Revenues (Expenses)</i>	<u>11,802</u>	<u>7,517</u>
<i>Net Income (Loss)</i>	2,227	11,879
Retained Earnings - Beg of Year	55,683	43,804
	<u>57,910</u>	<u>55,683</u>
<i>Retained Earnings - End of Year</i>	<u>\$ 57,910</u>	<u>\$ 55,683</u>

**Village of Benzonia**  
*All Fiduciary Funds*  
**Combining Statement of Changes in**  
**Assets and Liabilities**  
**For the Year Ended February 29, 2004**

Schedule 10

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deductions</i>	<i>Ending Balance</i>
<b>Tax Collection Fund</b>				
<i>Assets</i>				
Cash in Bank	<u>\$ 1,000</u>	<u>\$ 124,073</u>	<u>\$ 124,073</u>	<u>\$ 1,000</u>
<i>Liabilities</i>				
Due to Other Funds				
General	\$ 1,000	\$ 51,545	\$ 51,545	\$ 1,000
Local Street	-	34,610	34,610	-
Water Fund	-	28,467	28,467	-
Due to Library	-	9,408	9,408	-
Due to Others	-	43	43	-
Due to County	-	-	-	-
<b>Total Liabilities</b>	<u>\$ 1,000</u>	<u>\$ 124,073</u>	<u>\$ 124,073</u>	<u>\$ 1,000</u>
<b>Trust and Agency Fund</b>				
<i>Assets</i>				
Cash in Bank	<u>\$ 1,097</u>	<u>\$ 4,584</u>	<u>\$ 4,112</u>	<u>\$ 1,569</u>
<i>Liabilities</i>				
Due to Other Funds				
General	\$ -	\$ 500	\$ -	\$ 500
Other Funds	-	550	550	-
Due to Others				
State Withholding	438	2,364	2,392	410
Due to Others	100	-	-	100
Trailer Park Tax	-	1,170	1,170	-
Johnson Trust	559	-	-	559
<b>Total Liabilities</b>	<u>\$ 1,097</u>	<u>\$ 4,584</u>	<u>\$ 4,112</u>	<u>\$ 1,569</u>

FEDERAL FUNDS SECTION



# J L Stephan Co PC

Certified Public Accountants

Jerry L. Stephan, CPA  
John P. Morse, CPA

Marty Szasz, CPA  
David Skibowski, Jr., CPA

## *REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS*

To the Village Council  
Village of Benzonia  
Benzonia, MI 49616

We have audited the general purpose financial statements of the Village of Benzonia, Benzie County, Michigan as of and for the year ended February 29, 2004 and have issued our report thereon dated June 25, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Village of Benzonia's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards.

The 1998 General Obligation Bond allows for a tax levy sufficient to pay current year bond principal and interest payments. However, the bond ordinance does not appear to allow for a bond reserve fund. The Village has a reserve of \$18,730 and we recommend they transfer the money from the reserve fund to the 1998 General Obligation Bond Retirement Fund.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*JL Stephan Co. PC*

June 25, 2004

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